

MONTANA DISTRICT OFFICE NEWSLINE

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April 2005

Your Small Business Resource



A Word from Our District Director

I am excited to tell you that more Montana businesses used SBA guaranteed loans to start and expand their companies during the first six months of the current fiscal year (October 1,

2004 – March 31, 2005), than in the same period last year.

During the first half of FY 2005, the Montana SBA District Office approved 235 loans totaling \$36,874,950, compared to 222 loans worth \$29,505,661 in the same period last year. Of the 235 loans, 231 were approved under SBA's flagship 7(a) guaranteed loan program, and four loans totaling \$2,636,000 were made through the 504 Certified Development Company Program, a program that provides growing businesses with long-term, fixed-rate financing for major fixed assets, such as land and buildings. New businesses accounted for 109 of the loans totaling \$17,727,950. Eating and drinking establishments, wholesale trade and durable goods, furniture and home furnishings, special trade contractors, professional, scientific and technical services were among the most frequently financed businesses. Fifty three loans totaling \$5,497,650 were made to women owned businesses, 27 loans totaling \$5,661,200 were made to veterans, and 22 loans totaling \$2,809,900 went to minority owned businesses.

I also want to give you a brief introduction to SBA's new Faith-Based and Community Initiatives Center. SBA has created a Center

for Faith-Based and Community Initiatives to help non-profit, grassroots organizations learn about and access SBA-backed programs and loans. As part of the initiative, all current technical assistance grant recipients – including SCORE, Women's Business Centers, and Small Business Development Centers, have extended their programs to faith-based and other non-profit organizations that focus a significant portion of their activities on aiding small businesses. SBA field representatives are already developing workshops, training seminars, and open houses to reach out and educate faith-based and community organizations about SBA programs and to ensure that these groups have equal access to the services. If your faith-based or community organization wants to learn more about SBA programs and services, please contact my office any time to schedule a workshop or training session.

Lastly, I hope you will be able to attend SBA's annual Small Business Week Awards luncheon on May 6, 2005. We will be honoring fourteen outstanding business owners and advocate champions for their contributions to their local communities and our state's economy. This year we are pleased and proud to tell you that Montana has two regional award winners and one national award winner. Our Small Business Person of the Year, Harry Staley of Staley Tire and Automotive, Inc. of Billings, and our National Phoenix Award winner Dan McGowan, will be attending SBA's 2005 Small Business Expo in Washington, D.C. during National Small Business Week where they will be honored. For details on the Montana luncheon, see the attached registration form.

SBA FY 2006 Budget Request

Highlights

Recently, SBA Administrator Hector Barreto, announced a fiscal year 2006 budget request of \$593 million. This fiscally responsible budget request is good for small businesses and good for the American taxpayer and provides a record \$22 billion in loan authority for the agency's flagship lending programs.

On the technical assistance side, the budget requests \$88 million for Small Business Development Centers, \$12 million for Women's Business Centers and \$5 million for SCORE, Counselors to America's Small Businesses.

As in FY 2005, the 7(a) loan guarantee program will be at a zero subsidy, meaning that the program is sustained entirely by modest fees paid by the lenders and borrowers, without requiring an appropriation of taxpayer funds.

Highlights of the proposed FY 2006 SBA budget include:

- \$16.5 billion in lending authority for the 7(a) loan guarantee program;
- \$5.5 billion in lending authority for the 504 Certified Development Company program with a zero subsidy;
- \$3 billion program level for the SBIC debenture program with a zero subsidy;
- \$810 million in lending authority for the Disaster Loan Program;
- \$1.3 million for the Office of Advocacy research;
- \$750,000 for the National Women's Business Council;
- \$750,000 for Veteran's Outreach;
- \$1 million for the Drug Free Workplace Program.

Despite the reduction in our budget that has continued to occur over the past years, SBA continues to show significant increases in assistance to our small business customers. SBA is dedicated to meeting the needs of small business and this year is no exception. More Montana businesses have received SBA

guaranteed loans to start and expand their companies during the first six months of the current fiscal year (October 1, 2004 – March 31, 2005), than in the same period last year. Successful small businesses not only serve as the backbone of the economy, they anchor communities. By helping small businesses succeed, we create jobs, build wealth, strengthen families, and pave the way for the entrepreneurs and small business owners of tomorrow.

SBA Loan Application – CODING

To our lenders and technical assistance providers, data relating to new/existing business, and women, minority, and veteran status of the applicant is information tracked closely by SBA. We need to know whether or not a business is **NEW** or **EXISTING**. Any business that has been established from 0-2 years is considered **NEW**. Any business in existence greater than 2 years is considered **EXISTING**. Please also ensure you fill in the **Minority Code**, **Woman Code** (mark "yes" if at least 51% woman ownership), and **Vet Code**.

Please make every effort to properly code all loans. If you have questions regarding this matter, please contact our office at 406.441.1081.

SBA Ready Talk Training

Customized training is now being offered and can be delivered by SBA directly to your organization via the web-based Ready Talk system. Web-based training means a significant savings in travel costs since you don't have to leave the office. During these times of decreased budgets and increased gas prices, it is a win-win situation for everyone. The Montana District Office has completed several successful trainings to date and continue to offer monthly training to our lenders. If your organization has specific training needs, please contact John Klamann (406) 441.1081 x142 to arrange a training session.

Environmental Investigations

“Title reports, closing costs, and loan fees are expensive enough, but now the SBA wants an environmental investigation. I’ve looked at the property and I didn’t see chemicals oozing out of the ground. Isn’t that good enough? A Phase I will just cost my customer more money and time.”

When a loan officer asks me this question I ask: “Would you make a \$500,000 loan to buy a building and not get a title policy.” The answer is always: “Of course not.” Neither should a lender make a loan on real property without conducting an adequate environmental investigation. Undetected environmental contamination jeopardizes the lender’s lien position, loan repayment, and potential recovery just as much as any lien or mortgage.

SBA SOP 50-10(4)(B), pages 115-128-2 sets out requirements for an acceptable environmental investigation. Every lender should become familiar with the SOP.

The purpose of the environmental investigation is to collect as much information about the history, ownership and uses of the property as is necessary to form a “Reasonable and Prudent Belief That There Is No Risk of Contamination.” Sounds clear, but how much information is enough? Space does not permit a comprehensive answer, but ask yourself this question: “Would I risk my own money based upon the information I now have?” If the answer is “No” or you’re not sure, then you probably don’t have enough information.

The tools for collecting sufficient information are the Environmental Questionnaire, Environmental Records Review, Transactional Screening Analysis (TSA), Phase I and Phase II. Each one is more expansive than the one before it. The environmental investigation can start with the questionnaire and should progress to the level that the lender establishes a reasonable and prudent belief that the risk of contamination is minimal.

The environmental questionnaire may be a satisfactory environmental investigation if:

- There have been no business or agricultural operations on the property;
- The property is part of a multi-unit complex;
- A satisfactory Phase I Audit has been completed within 1 year of the loan application;
- A Phase I Audit has been completed within 1 year of the loan application indicating contamination and: (i) the Regulatory Agency has determined no remediation is necessary; or (ii) monitoring has been completed; or (iii) an adequate indemnification agreement exists;
- There is a Reasonable and Prudent Belief That There Is No Risk of Contamination.

If the property does not meet one of the above conditions, then a TSA, Phase I or Phase II should be pursued. Prior to disbursement of the loan, a non-PLP Lender is required to submit the results of its environmental investigation (questionnaires, records review, TSA, Phase I, or Phase II) to the District Office. It’s best to conduct the environmental investigation as early as possible in the loan making process. The results can be submitted to the District Office at any time prior to disbursement and even before submission of the application for the SBA guaranty.

The SBA loan officer and District Counsel review the environmental investigation to determine if the information is sufficient to form a reasonable and prudent belief the risk of environmental contamination is minimal. The District Office may request additional information. The lender will be notified in writing that the District Office concurs with its investigation.

If you have any questions regarding environmental investigation requirements, please call District Counsel at (406) 441-1081 ext. 145.

**MDO Loan Volume Statistics
October 1, 2004 – March 31, 2005**

The following lenders exceeded \$1.0 million in total SBA loan volume:

(These figures **DO NOT** include participation in 504 CDC Financing)

BANK NAME	BANK CITY	Dollars	Number of Loans
First Interstate Bank	Billings	\$3,403,000.00	12
Montana Community Finance Corporation	Helena	\$2,361,000.00	3
Valley Bank of Helena	Helena	\$2,057,000.00	22
Bank of the West	Sacramento	\$2,000,000.00	1
First Security Bank	Missoula	\$1,767,000.00	9
Yellowstone Bank	Billings	\$1,661,000.00	8
Mountain West Bank National Association	Great Falls	\$1,512,000.00	5
CIT Small Business Lending Corporation	Livingston	\$1,395,000.00	2
Rocky Mountain Bank	Stevensville	\$1,332,200.00	1
Mountain West Bank National Association	Helena	\$1,190,700.00	5
First Community Bank	Three Forks	\$1,100,000.00	1
Mountain West Bank National Association	Missoula	\$1,019,000.00	5

The following lenders approved five or more loans:

BANK NAME	BANK CITY	Dollars	Number of Loans
Capital One Federal Savings Bank	McLean	\$955,000.00	24
Valley Bank of Helena	Helena	\$2,057,000.00	22
Yellowstone Bank	Laurel	\$903,000.00	14
First Interstate Bank	Billings	\$3,403,000.00	12
First Security Bank	Missoula	\$1,767,000.00	9
Innovative Bank	Oakland	\$55,000.00	9
Stockman Bank of Montana	Billings	\$852,600.00	9
Western Security Bank	Billings	\$468,900.00	8
Yellowstone Bank	Billings	\$1,661,000.00	8
Heritage Bank	Great Falls	\$980,000.00	7
Wells Fargo Bank National Association	Billings	\$455,000.00	6
Mountain West Bank National Association	Helena	\$1,190,700.00	5
Mountain West Bank National Association	Great Falls	\$1,512,000.00	5
Farmers State Bank	Victor	\$904,050.00	5
Mountain West Bank National Association	Missoula	\$1,019,000.00	5
Wells Fargo Bank National Association	Bozeman	\$516,000.00	5

Certified Development Company – 504 Loans

BANK NAME	Dollars	Number of Loans
Montana Community Finance Corporation	\$2,361,000.00	3
High Plains Financial, Inc.	\$275,000.00	1

The following counties exceeded \$1.0 million in loans:

County name	Dollars	Number of Loans
Yellowstone	\$10,375,150.00	72
Gallatin	\$3,503,000.00	17
Missoula	\$3,431,500.00	22
Lewis & Clark	\$3,284,300.00	29
Silver Bow	\$3,062,400.00	9
Ravalli	\$2,810,000.00	13
Flathead	\$2,662,600.00	9
Cascade	\$2,655,000.00	15

The following counties with ten or more loans:

County name	Dollars	Number of Loans
Yellowstone	\$10,375,150.00	72
Lewis & Clark	\$3,284,300.00	29
Missoula	\$3,431,500.00	22
Gallatin	\$3,503,000.00	17
Cascade	\$2,655,000.00	15
Ravalli	\$2,810,000.00	13

The following holding companies approving ten or more loans:

Holding Company	Number of Loans
Glacier Bancorp, Inc.	45
Capital One Financial Corporation	24
Yellowstone Holding Company	23
WFC Holdings Corporation	19
Mountain West Financial Corporation	18
First Interstate Bancsystem, Inc.	16
Stockman Financial Corporation	14
United Financial Corp.	11

The following holding companies exceeded \$1.0 million in loans:

County name	Dollars
Glacier Bancorp, Inc.	\$5,302,900
Mountain West Financial Corp.	\$4,089,700
First Interstate Bancsystem, Inc.	\$3,692,000
Yellowstone Holding Company	\$2,772,000
United Financial Corp.	\$2,218,000
WFC Holdings Corporation	\$2,013,700
Bank of the West	\$2,000,000
CIT Small Business Lending Corp.	\$1,519,000
Heartland Financial USA, Inc.	\$1,375,000
Stockman Financial Corporation	\$1,140,100
First Community Bancorp, Inc.	\$1,100,000

2005 Montana Small Business Week Award Winners

Congratulations to All!!

Montana Small Business Person of the Year	Harry Staley Staley Tire and Automotive, Inc.	Billings
First Runner-up Small Business Person of the Year	Chris Croff Precision Lift, Inc.	Monarch
Entrepreneurial Success Champion	Barry Usher Beartooth Harley Davidson/Buell	Billings
Montana Small Business Exporter of the Year	Simms Fishing Products Corporation	Bozeman
SBA Young Entrepreneur of the Year	Jeff Pfeil Bozeman Tree Service, Inc.	Bozeman
Montana Family Owned Small Business of the Year Region VIII Family Owned Small Business of the Year	Emery, Joyce, Scott & Kim Wetzel Wetzel's Quality Cleaners	Billings
Main Street Business of the Year	Ken and Patti Kowalczyk Country Cottage	Billings
Home-based Business Champion of the Year	Lonna Weidemann LW Promotionals	Helena
Financial Services Champion of the Year	Suzie David Great Falls Small Business Development Center	Great Falls
Women in Business Champion of the Year	Carol Gamell Avalanche Video Productions	Great Falls
Small Business Journalists of the Year	"The Breakfast Flakes" Mark Wilson and Paul Mushaben Cat Country Radio 103	Billings
Minority Small Business Champion of the Year	Mildred Kinsey Fort Belknap College Small Business Development Center	Harlem
Veteran Small Business Champion of the Year	Doug Bolender Kalispell Procurement Technical Assistance Center	Kalispell
National Phoenix Award-Outstanding Contribution to Disaster Recovery by a Public Official	Dan McGowan Montana Disaster and Emergency Services	Helena

REGISTRATION
2005 SMALL BUSINESS AWARDS LUNCHEON
May 6, 2005
Noon

Billings Hotel and Convention Center

1223 Mullooney Lane
 Billings, MT 59101
 406.248.7151
 406.248.2054
 Reservations: 1.800.537.7286

Cost: \$15.00/person
(no charge for award winners)

Name:		Award Winner:	<small>Circle</small> Y or N
Address:			
Phone:			
Total # Attending:			
Amount Enclosed:			
	London Broil	Lemon Chicken	Vegetarian Lasagna

Please return by April 29, 2005
Make checks payable to SBDC and mail to:
SMALL BUSINESS DEVELOPMENT CENTER
222 N. 32nd, Billings, MT 59101
For more information call (406) 441-1081 or 1-800-776-9144 ext. 2

Please list names of attendees below and specify #'s for meals. Thank you.

Name	London Broil #	Lemon Chicken #	Vegetarian Lasagna #

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Be a part of the U.S. Small Business Administration's Expo '05: Celebrating National Small Business Week. This special event, taking place in Washington, DC, April 26-28, provides an exceptional opportunity to join forces with business leaders from around the country, network, and celebrate the tremendous contributions made by America's small businesses to our nation's economy.

Come and learn about cutting-edge business practices, find out what's hot in business trends, meet government officials and talk with decision-makers who help shape the economy.

Conference Highlights:

BUSINESS MATCHMAKING

A unique opportunity for small businesses to meet one-on-one with federal and Fortune 500 representatives. Business Matchmaking is a program funded by SBA through a cooperative agreement with HP Small Business Foundation.

EXPO FLOOR

Hundreds of exhibitors from the public and private sectors will provide information and offer opportunities to conduct business.

BUSINESS SESSIONS

A superb lineup of educational seminars featuring expert panelists discussing the latest developments and best practices in the world of business and entrepreneurship.

TOWN HALL

Tackle the pressing issues facing entrepreneurs today; talk to the SBA Administrator as part of a live web cast discussion; ask questions and talk about what's on your mind.

And much more!

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www.sba.gov/expo